



Waitakere City Council  
*Te Taiao o Waitakere*

## NOTICE OF MEETING

# FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE

I hereby give notice that a meeting of the Finance and Operational Performance Committee will be held on:-

**DATE:** Monday, 8 June 2009 **TIME:** 9.30 am

**MEETING ROOM:** Council Chamber

**VENUE:** Waitakere Central, 6 Henderson Valley Road, Henderson, Waitakere

to consider the business as set out herein and to take any necessary action connected therewith.

3 June 2009

Carmen Fernandes  
**COMMITTEE SECRETARY**

Telephone (09) 836 8000 extn 8887

### MEMBERSHIP:

Councillors	RI	Clow (Chairman)
	JM	Clews, QSO, JP (Deputy Chairman)
	DQ	Battersby, JP, QSM
	BA	Brady, JP
	MFP	Chan, JP
	LA	Cooper, JP
	AK	Corban, OBE, JP
	RP	Dallow, QPM, JP
	WW	Flaunty, QSM, JP
	PA	Hulse
	MM	Jolley
	JP	Lawley, JP
	PG	Mitchell
	VS	Neeson, JP

Mayor RA Harvey, QSO, JP (ex officio)

(Quorum 5 members)

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(Meeting Room could be subject to change)

(The reports and recommendations contained in all agendas are reports and recommendations only and are not to be construed, in any way, as Council policy until adopted.)

**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD IN THE COUNCIL CHAMBER AT WAITAKERE  
CENTRAL, 6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE,  
ON MONDAY, 8 JUNE 2009 COMMENCING AT 9.30 AM**

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**AGENDA FOR A MEETING OF THE FINANCE AND OPERATIONAL PERFORMANCE  
COMMITTEE TO BE HELD IN THE COUNCIL CHAMBER AT WAITAKERE  
CENTRAL, 6 HENDERSON VALLEY ROAD, HENDERSON, WAITAKERE,  
ON MONDAY, 8 JUNE 2009 COMMENCING AT 9.30 AM**

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**PART A - OPENING OF MEETING**

**1 APOLOGIES**



**2 URGENT BUSINESS**

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 provides that where an item of business is not on the agenda, it may only be dealt with at the meeting if:

- (i) the Committee by resolution so decides; and
- (ii) the Chairman has explained at the beginning of the meeting (when open to the public) that the item will be raised for discussion and decision, why the item is not on the agenda, and why it cannot be delayed until a subsequent meeting.

The Committee may make a decision on a matter determined to be urgent.

**NOTE:** Urgent Business need not be dealt with now and may be delayed until later in the meeting.



**3 CONFLICTS OF INTEREST**

The Council has acknowledged in its Code of Conduct that Elected Members need to be vigilant to stand aside from decision making when a conflict arises between their role as a member of the Council and any private or other external interest they might have. This note is provided as a reminder to members to check that no such conflicts arise in relation to any items on this agenda.



**4 CONFIRMATION OF MINUTES**

Meeting Minutes - Monday, 11 May 2009

**RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the minutes of the meeting of the Finance and Operational Performance Committee held on Monday, 11 May 2009, as circulated, and that they be taken as read and now be confirmed.



**PART B - LEGAL AND CONSTITUTIONAL**

**5 AFFIXATION OF COMMON SEAL**

**RECOMMENDATIONS**

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Affixation Of Common Seal report.
2. **Agree** that the action taken in affixing the Common Seal on the documents as set out in the agenda report be adopted.

**EXECUTION OF DOCUMENTS: 30 April 2009 to 2 June 2009**

<b>N°</b>	<b>NAME</b>	<b>PARTICULARS</b>
4745	WCC - J and F Krings	Memorandum of Encumbrance - Certificate of Title NA1014/37 - 27 Takahe Road, Titirangi
4746	WCC - PR and JC Rosser	Authority and Instruction for electronic transaction - CTs.396361 and 396362 - 24 Kiernan Place, Kelston - RMA20061334
4747	WCC - New Zealand Housing Foundation	Authority and Instruction for electronic transaction - CTs.364348 to 364360, 412679 to 412683 - 423-429 West Coast Road - RMA20061078 (Stages 2 and 3)
4748	WCC - MD Dutton and MJ Langlois	Authority and Instruction for electronic - Release of Uncompleted Works and Maintenance Bond 7117467.4 - 21 Mudgeways Road - RMA2004816
4749	WCC - MD Dutton and MJ Langlois	Release and Discharge of Bond 7117467.4 - CT.278271 - 21 Mudgeways Road - RMA2004816
4750	WCC - DN McLaughlin	Conservation Covenant - 98 Glendale Road - Environmental Management Committee resolution 2090/2003
4751	WCC - Artisan Investments Limited	Consent as encumbrancee under Encumbrance 7582571.10 - Identifier 302413 - 99 Parris Cross Road
4752	WCC - S Subranmanium	Release of Uncompleted Works and Maintenance Bond - 109-153 Huia Road - SPW 16989
4753	WCC - Waitakere Properties Limited Signatories and ANZ Bank	Bank Account authority
4754	WCC - JS and YV Matijevich	Authority and Instruction for electronic transaction - Drainage easement in gross - Certificate of Title 291862 - 15 Lesa Annis Place (RMA992813 - SPW 20876/ RMA20051301 - SPW 22538)
4755	WCC - Housing New Zealand Limited (Lundo Holdings Limited)	Authority and Instruction for electronic transaction - Drainage easement in gross - Certificate of Title 456487 - 4 and 4A Valdale Road - RMA2006642
4756	WCC - LF and VD Croudís	Authority and Instruction for electronic transaction - Drainage easement in gross - Certificate of Title 324083 - 13 Tiroroa Avenue - RMA20051145

Nº	NAME	PARTICULARS
4757	WCC - PD and WN Wilton and R Rudd	Authority and Instruction for electronic transaction – Fencing Agreement - Certificate of Title 275988 - 60 Huia Road - RMA20051626
4758	WCC - PD and WN Wilton and R Rudd	Fencing Agreement - Certificate of Title 275988 - 60 Huia Road - RMA20051626
4759	WCC - SH Davis	Authority and Instruction for electronic transaction – Drainage easement in gross and Fencing Agreement - Certificate of Title 298994 - 28 Galloway Avenue, Massey - RMA20041403
4760	WCC - Housing New Zealand Limited (Lundo Holdings Limited)	Drainage easement in gross - Certificate of Title 446766 - 17, 24 and 26 Mayville Avenue, New Lynn - RMA20051249
4761	WCC - PR and JC Rossier	Drainage easement in gross - Certificate of Title 396362 - 24 Kiernan Place, Kelston - RMA20061334
4762	WCC - PR and JC Rossier	Fencing Agreement - Certificates of Title 396361 and 396362 - 24 Kiernan Place, Kelston - RMA20061334
4763	WCC - Te Atatu Appliances Limited	Deed of Assignment of Lease from Good Guys Te Atatu (1986) Limited - Te Atatu Peninsula Community Centre - Finance & Operational Performance Committee resolution 4081/2003 (in duplicate)
4764	WCC - Morrison Horticultural Limited	Universal Drive extension - Consent s.1142(h) Public Works Act 1981 - Rule 4(2) Standing Orders
4765	WCC - J Gu and N Feng	Authority and Instruction for electronic transaction - Drainage easement in gross - Certificates of Title 459977 and 459978 - 63A Harrington Road, Henderson - RMA2008578
4766	WCC - Vijaya Ramakrishna	Warrant of Appointment and Evidence of Identity - No.WCC441
4767	WCC - Anthony Gerard Pepers	Warrant of Appointment and Evidence of Identity - No.WCC444
4768	WCC - R and KJI Law and JKI Law and ASB Bank (Juderon Family Trust)	Release of Bond dated 24 February 2004 - RMA20021908
4769	WCC - Milano International 2002 Limited	Authority and Instruction for electronic transaction - Water supply easement in gross - Certificates of Title 369518 to 369531 - 10-16 Lincoln Road, Henderson - SUB20061207
4770	WCC - J and LM Hoerzer	Authority and Instruction for electronic transaction - Discharge Encumbrance - 131 Carter Road, Oratia - Rule 44(2)
4771	WCC - Resene Paints Limited	Memorandum of Encumbrance - 24 Clark Street - Resolution 1402/2008
4772	WCC - Housing New Zealand Limited	Authority and Instruction for electronic transaction - Drainage easement in gross - Certificate of Title 412412 - 6 and 6A Hugh Brown Drive, New Lynn - SUB20051143



## **PART C - FINANCE**

### **6 OPERATING AND CAPITAL EXPENDITURE SUMMARY**

#### **EXECUTIVE SUMMARY**

The purpose of this report is to inform the Finance and Operational Performance Committee on the level of operating and capital expenditure to the end of April 2009 compared to budget.

#### **RECOMMENDATION**

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Operating And Capital Expenditure Summary report.

#### **BACKGROUND**

1. Through the Long Term Council Community Plan and Annual Plan process, the Council approves operating and capital expenditure. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.
2. If any further information is required in respect of this report, other than of a general nature, please contact the writer prior to the meeting to enable the query to be researched.
3. This report covers expenditure for the ten months to 30 April 2009. The financial summary and notes are attached at pages A1 to A7.

A1-A7

#### **DECISION MAKING**

4. There are no decisions required in respect of this report.

#### **Issues**

5. Explanations for significant variances between actual results to date and the Annual Plan budgets are provided for the overall operating performance statement (including commentaries on the performance of Council trading activities) and capital expenditure.
6. When the Council's budgets are prepared, the budgets are a "balanced budget" with any funding required in an activity being either rates or loan funded. The water supply activity is fully funded.
7. The reports do not show any funding allocation as they report on the income and expenditure for that activity.

#### **STRATEGIC CONTEXT**

8. The Council's operating and capital expenditure delivers projects necessary to achieve the Council's strategic direction.

#### **CONSULTATION**

9. No consultation was required in respect of this report.

## RESOURCES

10. This report has no resource implications.

## IMPLEMENTATION ISSUES

11. There are no implementation issues in respect of this report.

**Report prepared by:** Ian Irving, Manager: Financial Planning and Reporting.



## 7 STATUS OF SPECIAL FUNDS

### EXECUTIVE SUMMARY

A8

The purpose of this report is to inform the Finance and Operational Performance Committee on the status of the Council's special funds as at 30 April 2009, as attached at page A8.

### RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Status Of Special Funds report.

### BACKGROUND

A9-A10

1. Special funds are those funds held or designated by the Council for a specific purpose or purposes. The balances of these funds are used to offset the Council's borrowing requirements. Interest is allocated to funds where applicable.
2. Special fund movements are recommended through the Long Term Council Community Plan and Annual Plan adoption process. Special funds are classified as either "Restricted Funds" or "Non-Restricted Funds". Restricted funds are those funds that have been received by the Council from a third party or parties and are to be used for a specific purpose or purposes. Non-restricted funds are funds established by a Council resolution to use and set aside its own funds and also to meet a specific purpose or purposes.
3. Description of the nature of each special fund item is attached at pages A9 to A10.

### DECISION MAKING

4. There are no decisions required in respect of this report.

### STRATEGIC CONTEXT

5. The Council uses special funds as provided for in the Long Term Council Community Plan and Annual Plan.

## CONSULTATION

6. No consultation was required in respect of this report.

## RESOURCES

7. This report has no resource implications.

## IMPLEMENTATION ISSUES

8. There are no implementation issues in respect of this report.

**Report prepared by:** Ian Irving, Manager: Financial Planning and Reporting.



## 8 BORROWING AND INVESTMENT REPORT

### GLOSSARY

Long Term Council Community Plan	(LTCCP)
Waitakere City Council	(the Council)
Finance and Operational Performance Committee	(the Committee)
Liability Management and Investment Policy	(the Policy)

### EXECUTIVE SUMMARY

This is a monthly report to Waitakere City Council's (the Council) Finance and Operational Performance Committee (the Committee) and is also a requirement of the Council's adopted Liability Management and Investment Policy (the Policy). It provides information on the Council's borrowing and investment activities over the past month and also high level information on current financial market conditions. From time to time additional and more detailed information is requested on particular areas of interest by the Finance and Operational Performance Committee or other Committees.

### RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Borrowing And Investment Report.
2. **Approve** the Borrowing And Investment Report.

### BACKGROUND

1. The Council enters into treasury related financial contracts in the ordinary course of its business. It is the role of the Council's Funds Management section to manage such contracts and the impact that they have on the organisation. All funds management transactions are governed by the Policy prepared in compliance with the Local Government Act 2002. As a requirement of the Policy this report informs the Committee on the current and future movements of the Council's debt and cash investments, and provides a general commentary of financial market conditions.

- A11-A16
2. The relevant portfolio and graphs reflect the estimated position as at 30 April 2009 and are attached at pages A11 to A16.

### DECISION MAKING

3. The Committee must consider whether to approve the Borrowing and Investment Report.

### Issues

4. The Council's Funds Management function actively manages a large portfolio of various debt and investment instruments. The benefit of borrowing is that it enables the Council to carry out the projects identified in the Annual Plan and Long Term Council Community Plan (LTCCP), while spreading the costs for those projects over time to recognise the future benefits. Borrowing funds therefore assist the Council with its entire loans funded strategic initiatives. The Policy requires a report detailing the management of the portfolio to be presented to the Committee on a regular basis. The report must include information on the following subjects:
  - Cash/debt position;
  - Forecasted borrowing profile;
  - Interest rate profile;
  - Risk management;
  - Material transactions; and
  - Market commentary.
5. This report addresses the requirement of the Policy and may include other information that is relevant to the Funds Management function.

### Financial Implications

6. The active management of the treasury portfolio seeks to minimise the Council's borrowing costs and maximise investment returns of liquid assets. The Funds Management function is also charged with seeking investors, thus ensuring that there is sufficient liquidity available for the Council to continue its work programme. New Zealand financial markets are significantly volatile and therefore interest rate risk management is a key responsibility of the Funds Management function. Detailed financial information included within this report is intended to give assurance of the prudent management of the Council's portfolio.
7. The Council maintains a Standard and Poor's Credit Ratings of A-1 short term, and A+ long term (Positive Outlook).
8. The Council has adopted financial ratios included in the Policy which provides limits on the level of debt and interest the Council will have. The following table shows the ratio limit, the 2007/2008 actual and the 2008/2009 budgeted levels.

Financial Ratio	Actual 2007/2008	Budget 2008/2009
Net Debt as a percentage of income	144.48%	194%
Net interest as a percentage of income	9.4%	11%
Net Interest as a percentage of rates	17.7%	18%

### Interest Rates

9. Interest rates over the past month have remained subdued at the short end, but have slowly elevated in 5 to 10 years range. 10 year interest rates are now reaching above 6.0%. The Official Cash Rate is currently set at 2.5% and 10 year interest rates set at 6.0%, demonstrates how interest rates at all maturities are now strongly positive. It is not surprising that banks have shown little enthusiasm in decreasing medium term interest rates after the Reserve Bank of New Zealand's last Official Cash Rate decrease. It is also of some concern now that borrowers of long term, 10 year money, will now be looking at out-right interest rates closer to 8.50%, a base wholesale interest rate of 6.0% plus a credit margin of at least 2.50%.
10. With long term interest rates elevated, there will be an improvement to all borrowers' portfolio valuations for Annual Reporting purposes. Accounting rules for valuing financial instruments changed after the collapse of Enron and Worldcom, requiring all organisations to value and report their "off balance sheet" positions. This is captured in International Financial Reporting Standard 39. Organisations could either to adopt hedge account and report the variation in values of financial instruments against their equity, or not adopt the standard and report the variation in their profit and loss statement. Most local authorities in New Zealand, including Waitakere City Council chose not to adopt hedge accounting for differing reasons. This means that the change in valuations of financial instruments from 30 June 2008 to 30 June 2009 will be reported in the Council's profit and loss as a non-cash, unrealised profit or loss. With interest rates largely at historical lows, it should be expected that large unrealised losses will be reported by all borrowers. The meaning of the unrealised position is to show that if all financial instrument positions were to be closed at the point in time of the valuation, the amount of the valuation would be realised. For entities such as the Council, such positions are always held to maturity and therefore no unrealised profit or loss will ever be realised.
11. The valuation process is much the same as how a fixed interest residential mortgages work. If a person fixes their mortgage at 9.0% and the market for the same mortgage changes to 7.0%, the person may desire the lower rate. The only way they can achieve that is by closing out their 9.0% mortgage. Their bank will charge them a penalty fee for doing this, which is the current valuation of a 9.0% mortgage. If the person decides to accept the penalty, they are effectively realising the financial loss. If they decided not to change, the penalty is considered unrealised.

### STRATEGIC CONTEXT

12. The management and use of borrowing and investments is aligned to all of the Council's strategic objectives, as adopted in both the LTCCP 2006-2016 and the Annual Plan 2008/2009.

### Preferred Option

13. There is no preferred option presented with this report.

### CONSULTATION

14. This report includes data sourced by the Council's external treasury advisors, Asia Pacific Risk Management, and material, opinions or views sourced from various financial institutions.

## RESOURCES

15. The Council, through its Annual Plan 2008/2009, provided for total new borrowings of \$224.915 million, including loans attributable to projects carried forward from previous years totalling \$105.488 million. Total interest cost has been provided in the Annual Plan 2008/2009 of \$27.292 million.

## IMPLEMENTATION ISSUES

16. There are no implementation issues identified for this report.

**Report prepared by:** Bruce Wilkin, Group Manager: Funds Management.



## 9 PAYMENTS APPROVED

### EXECUTIVE SUMMARY

The purpose of this report is to advise the Finance and Operational Performance Committee of payments made by the Council.

A17-A21

A summary schedule of payments over \$5,000 made for the period 13 April 2009 to 22 May 2009 are attached at pages A17 to A21.

Payments have been provided for in accordance with approved budgets.

If a Committee member wishes to ask specific questions relating to any of these payments please direct them to the Director: Finance prior to the meeting. This will enable a response to be adequately researched.

### RECOMMENDATION

It is recommended that the Finance and Operational Performance Committee resolve to:

**Receive** the Payments Approved report.

### BACKGROUND

1. All payments made by the Council are presented to this Finance and Operational Performance Committee on a progressive monthly basis. Elected members are able to review the information provided and seek information or clarification in respect of any of those payments.

### DECISION MAKING

2. No approvals or decisions are required.

### STRATEGIC CONTEXT

3. The Council makes various payments as provided for in its Long Term Council Community Plan and Annual Plans. The Council follows good practice for procurement of goods and services and ensures that funding has been provided from appropriate sources.

## CONSULTATION

4. No consultation was required in respect of this report.

## RESOURCES

5. This report has no resource implications.

## IMPLEMENTATION ISSUES

6. There are no implementation issues in respect of this report.

**Report prepared by:** John MacKenzie, Group Manager: Rates and Financial Transactions.



## PART D - GENERAL

### 10 WAITAKERE PROPERTIES LIMITED STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2009

#### GLOSSARY

Auckland Transition Agency	(ATA)
Local Government Tamaki Makaurau Reorganisation Act 2009	(the Act)
Council Controlled Organisation	(CCO)
Statement of Intent	(SOI)
Waitakere City Holdings Limited	(WCHL)
Waitakere Properties Limited	(WPL)
Council-Controlled Trading Organisation	(CCTO)

#### EXECUTIVE SUMMARY

As a Council-Controlled Trading Organisation (CCTO) Waitakere Properties Limited (WPL) is required to prepare and deliver to its shareholders a completed Statement of Intent (SOI) on or before 30 June each year. The content of the SOI is specified in Schedule 8 of the Local Government Act 2002. A draft SOI for three years commencing 1 July 2009 was discussed at the Finance and Operational Performance Committee meeting on Monday, 6 April 2009.

A22-A38

A copy of WPL's final SOI 1 July 2009 is attached at pages A22 to A38.

#### RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Waitakere Properties Limited Statement Of Intent For The Three Years Commencing 1 July 2009 report.
2. **Approve** the Waitakere Properties Limited Statement of Intent for the three years commencing 1 July 2009 subject to any changes recommended by the Auckland Transition Agency.

3. **Approve** that Council officers carry out a review of the most efficient use of Council's investment in Waitakere Properties Limited and report back to the Finance and Operational Performance Committee by the 31 December 2009 on the findings of this review and options available for the Finance and Operational Performance Committee to consider.
4. **Approve** for Council Officers to review the best use of land held under Trust as part of the review of Trust land development objectives that will be jointly carried out with Waitakere Properties Limited and Council and a report be brought back to the Finance and Operational Performance Committee by 30 June 2010 on the findings of the review and options available for the Finance and Operational Performance Committee to consider.

## BACKGROUND

1. Waitakere Properties Limited is a CCTO as defined by section 6 of the Local Government Act 2002 and is wholly owned by Waitakere City Council. The Director: Corporate and Business Services manages the relationship between Council and WPL.
2. As a CCTO, WPL is required to prepare and deliver to its shareholder a completed SOI on or before 30 June each year. The content of the SOI is specified in Schedule 8 of the Local Government Act 2002. According to Schedule 8, the following procedure is to be followed:
  - a. The Board of a CCTO must deliver to its shareholders a draft SOI on or before 1 March each year.
  - b. The shareholders have two months from 1 March to make comments on the draft SOI (i.e. until 30 April).
  - c. The Board must consider any comments on the draft SOI that are made to it by the shareholders and deliver the completed SOI to the shareholders on or before 30 June each year.
3. Council considered WPL's draft SOI on the 6 April 2009. Written feedback was provided for consideration by the WPL Board, by the Director: Corporate and Business Services to the Chairman of the WPL Board and a meeting to discuss these comments was also arranged with the WPL Chief Executive.
4. The Board has adopted most of the changes recommended by Council.

## DECISION MAKING

### Issues

#### Changes to the draft SOI

5. WPL has addressed most of the changes Council recommended in its final SOI. The key changes include:
  - the review of all Trust projects against development criteria in the SOI before December 2009;
  - the completion of sustainable goals for each project by June 2010;
  - the development of project objectives by 30 June 2010, where no objectives have been developed;
  - reporting of risks relating to the letter of direction or declaration of trust for each project;

- The disclosure of WPL's annual budget in the SOI;
- Provision of Trust account budgets to be included in Council's annual plan process;
- Guidance on staged funding of Trust projects; and
- WPL will work with Council to ensure project financial reports comply with generally accepted accounting practice.

A39-A67

6. A summary of the changes addressed by WPL in its final SOI is attached at pages A39 to A67.
7. The only change that has not been addressed by WPL relates to the content of the letters of direction for the projects. The details of the letter of direction for Trust projects can be negotiated between Council and WPL management as part of finalising the letters of direction and the objectives and performance measures for the Trust projects.

#### **Review of Properties held in Trust by WPL**

8. A number of properties are held in Trust by WPL to be developed in the future. The objectives for the development of some of the properties have not been formalised. Moreover, Council has not reviewed the best use of these properties over time. The fair value of these properties as at 30 June 2008 was around \$37m. These properties are subject to charges such as management fees by WPL.
9. Council officers recommend that as part of the review of Trust project objectives by WPL and Council, consideration should also be given to the best option available to Council. For example, a property that no longer has development value could be sold as a surplus asset or can be transferred back to Council's Property Assets unit to minimise administration costs.

#### **Review of investment in WPL**

10. Council through Waitakere City Holdings Limited had an investment of \$2.48m in WPL as at 30 June 2008. This investment was made up of capital injection of \$2.3m and retained earnings of \$180k. WPL had cash of \$2.4m held in its own bank account representing this investment as at 30 June 2008. As part of the CCO preparation work over the transition period, it is proposed that a review be undertaken to consider the best structure of Council's investment in WPL.

#### **STRATEGIC CONTEXT**

11. Council has a financial investment in its holding company and subsidiaries. These companies assist the Council in meeting strategic outcomes by a return on investment, involvement in strategic projects, economic development and in support of service delivery.

#### **CONSULTATION**

12. The final WPL SOI has addressed most of the changes identified by Council. Councillors were consulted on the changes to the SOI at the CCO governance workshop held on the 29 January 2009 and at the FOP meeting on the 6 April 2009.

#### **RESOURCES**

13. There are no resource implications other than officer's time.

## IMPLEMENTATION ISSUES

### Auckland Council Transition Issues

14. The Local Government (Tamaki Makaurau Reorganisation) Act 2009 imposes restrictions on Waitakere City Council's decision making capabilities in respect of modifications to WPL's SOI as it is captured by section 31(4) (n) of the Act, which covers the approval or modification of statement of intent of Council Controlled Organisations.

Report prepared by: Kingsha Changwai, Manager Assurance Services.



## 11 GOVERNANCE REVIEW UPDATE - IMPLICATIONS OF GOVERNANCE OF AUCKLAND PROPOSALS AND STATEMENT OF INTENT

### GLOSSARY

Council Controlled Organisations	(CCOs)
Statement of Intent	(SOI)
Waitakere City Holdings Limited	(WCHL)
Waitakere Properties Limited	(WPL)
Waitakere Enterprise	(WE)
The Peer Review of Proposed Waitakere Holding Company Structure	(Peer Review)

### EXECUTIVE SUMMARY

The Council has been reviewing the governance of its Council Controlled Organisations (CCOs). At the Finance and Operational Performance Committee meeting in November 2008 and at the Council meeting in February 2009 certain decisions were made relating to the ongoing requirements for Waitakere City Holdings Limited (WCHL), Waitakere Properties Limited (WPL) and Waitakere Enterprise (WE).

The Government has now made some decisions relating to the future governance of Auckland and the purpose of this report is to consider the Council's decisions in light of the proposed new governance arrangements and adjust the requirements accordingly.

The Council, with respect to WCHL, is being requested to agree to a reduction in the number of Board Members during the Transition Period, agree that remuneration be paid to all Board Members, agree to not implementing the 'no duplication on various Boards principle' during the Transition Period, and agree not to proceed with the separate tax review at this time. The Transition Period commences with the enactment of the Auckland governance legislation and ends with the proposed Auckland Council commencing on 1 November 2010.

The Council is also being requested to formally resolve to approve the Statement of Intent (SOI) for the three years commencing 1 July 2009 for WCHL.

### RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Governance Review Update - Implications Of Governance Of Auckland Proposals And Statement Of Intent report.

2. **Receive** the Peer Review of Proposed Waitakere Holding Company Structure.
3. **Agree** the establishment of a new Waitakere City Holdings Limited Board with effect from 1 July 2009, comprising three Independent Directors, one of whom shall be appointed Chairman by the Council, and two Councillor Directors, but postpone the appointment of two additional Independent Directors during the Transition Period.
4. **Agree** that remuneration be paid to all members of Waitakere City Holdings Limited Board.
5. **Agree** that the Council not proceed with the separate tax review of Waitakere City Holdings Limited at this time.
6. **Agree** to accept the resignations of RW Jewell and HV O'Rourke from Waitakere City Holdings Limited and thank them for the considerable contribution to the governance of Council entities.
7. **Approve** the Statement of Intent for Waitakere City Holdings Limited for the three years commencing 1 July 2009 for presentation to the Council with a recommendation that it be adopted.

## BACKGROUND

### Progress of the Governance and Value for Money Review of CCOs

1. The first stage of the governance and value for money review, which involved a review of the governance structure and reporting lines for CCOs was completed in November 2008 culminating in a progress report to the Finance and Operational Performance Committee on 10 November 2008.
2. The Finance and Operational Performance Committee at its November 2008 meeting resolved (1902/2008) to reconstitute WCHL and for the company to have wider responsibilities and take a leadership and governance role. The Finance and Operational Performance Committee also directed the Chief Executive Officer to:
  - develop policy and procedures for performance reviews including formal monitoring of WCHL's performance;
  - review the Constitution of WCHL providing for a minimum of three and a maximum of seven Directors with Councillor Directors in a minority; and
  - review the process for the appointment and remuneration of Directors for recommendation to the Council as approved guidelines that will apply to WCHL and then to any other subsidiary, and WE.
3. A detailed copy of the Finance and Operational Performance Committee resolution (1902/2008) is attached at pages A68 to A69.
4. The policy for the appointment and remuneration of Directors will be submitted to the July 2009 meeting of the Finance and Operational Performance Committee meeting for recommendation to the Council as approved guidelines that will apply to WCHL and then to any other subsidiary, and WE.
5. The governance and value for money reviews continued and a report was presented to the Council in February 2009 when the Council resolved (235/2009) to:

A68-A69

- establish a new WCHL Board with three Independent Directors, one of whom would be the Chairman, and two Councillor Directors.
- set up an Establishment Board and empower it to:
  - review and enhance the current Constitution and develop a Charter;
  - draft the Statement of Intent for the three years commencing 1 July 2009;
  - commence the process of recruiting and recommending the appointment of two other Independent Directors;
  - review and endorse the Statements of Intent for the three years commencing 1 July 2009 for WPL and WE Trust Board; and
  - to give effect to the revised role of the company given its wider objectives and leadership role.

A70

6. A detailed copy of the Council resolution (235/2009) is attached at page A70.
7. Whilst significant progress on the governance review and the value for money audits have been completed it is appropriate to consider what changes, if any, should be made before further progressing them in light of the decisions made on the governance for Auckland. A more cautious approach is perhaps warranted in the lead up to the Transition. For example the Government has stated that value for money audits on all Economic Development Agencies will be done by the proposed Auckland council. It is therefore considered that no further progress be made on the Value for Money audits and that all the information obtained during the audits be passed on to the Auckland Council in due course.
8. The November 2008 Finance and Operational Performance Committee report proposed that WCHL be reconstituted from its present form, initially with a Board of five members with the final number being dependent on the scale of the activities to be undertaken. It was resolved that the new Board be comprised of three Independent Directors and two Councillor Directors with effect from 1 July 2009.
9. An Establishment Board was set up to implement the findings of the governance and value for money review to date in the interim period between February 2009 and 30 June 2009.
10. The Establishment Board consists of two Councillor Directors and one Independent Director, who is also the Chairman of the Establishment Board. The Establishment Board has progressed the development of the company's establishment documents and has been leading the process for appointing two Independent Directors that have the appropriate skills and competencies to take the company forward from 1 July 2009.
11. It is now considered in light of the governance for Auckland decisions that, as the work programme for the CCOs is likely to be altered for 2009 and 2010, and that whilst the documentation should continue to be developed and a revised WCHL be constituted from 1 July 2009, the appointment of two Independent Directors should not proceed during the Transition Period. The numbers and make-up of the Boards of Directors for WPL and WE should also be reviewed and WCHL intends to undertake that task commencing in July 2009. The Transition Period commenced on 23 May 2009 and will end with the coming into being of the proposed Auckland Council on 1 November 2010.
12. It is proposed that the number of Directors for WCHL be retained at three and the Council accept that the balance of the Establishment Board (two Councillor Directors and 1 Independent Director who shall also be the Chairman) be retained

for WCHL until the arrangements for council controlled organisations be completed by the proposed Auckland Council.

13. It is also proposed that the WCHL Board be charged with reviewing the Boards of both WPL and WE as soon as possible with a view to reducing their numbers to three each and making appointments on the basis of the skills and competencies matrix appropriate to each.

14. The Establishment Board has also considered the requirement that that there should not be any duplication of appointed roles on the Councils CCOs and Companies including WE. The Establishment Board is of the view that in the current economic climate and with the Auckland governance impact, that this provision should not be implemented during the Transition Period. The WCHL Board will be mindful of the Council's requirements during the Transition Period and will exercise its judgement on a case by case basis.

A71-A77

15. The Peer Review of Proposed Waitakere Holding Company Structure (the Peer Review) has been completed and is attached at pages A71 to A77. The review generally shows that the Council has followed sound practise in carrying out the review. The review concludes that all Directors of the Holding Company should be remunerated, and this view is shared by the Chairman of WCHL, and that the proposed separate tax review should be put 'on hold' at this time.

A78-A103

16. The Statement of Intent (SOI) for WCHL is attached at pages A78 to A103. The only amendment is the inclusion of a budget for the year 1 July 2009 to 30 June 2010. The SOI for WPL will also be presented to this meeting under separate cover. The SOI for WE will be presented to the July 2009 meeting of the Committee. Budgets for WPL and WE will be included in their respective SOIs and a summary will be added to the SOI for WCHL.

### DECISION MAKING

17. The Council is being requested to postpone the appointment of two additional Independent Directors to WCHL during the Transition Period and retain a Board of three. The principle of this Board having a majority of Independent Directors is endorsed but is not to be implemented during the Transition Period. The appointment of two additional Independent Directors is to be postponed.

18. In recognition of the workload of all Board Members, and acknowledging the Peer Review and the views of the Board Chairman, it is proposed to remunerate all WCHL Board Members.

19. It is not proposed to proceed with value for money audits or the separate tax review at this time.

20. It is proposed that the SOI for the WCHL for the three years commencing on 1 July 2009, as amended, be recommended to the Council for adoption.

### STRATEGIC CONTEXT

21. Council's mechanisms for the delivery of Council services and achievement of sustainable social, economic, environmental and cultural outcomes include either ownership or control of a number of entities where Council is required to maintain appropriate governance structures.

22. Council has a financial investment in its holding company and subsidiaries. These companies assist the Council in meeting strategic outcomes by a return on

investment, involvement in strategic projects, economic development and in support of service delivery.

## CONSULTATION

23. Engagement has occurred with the Chairmen and Chief Executive Officers of WCHL, WPL and WE, the Council and Council's Chief Executive Officer and Directors.

## RESOURCES

24. WCHL will need to be adequately resourced to carry the recommended expanded functions and staff will be dedicated as part of the role within the Council to assist the Board to meet its obligations. Some of this resourcing can be achieved by redeployment and/or 'back filling' or other means as determined by the Chief Executive Officer. Once the 'new' Board of WCHL has established its works programme, resourcing will need to be matched to the level of approved activity. At the present time it is proposed to resource all other WCHL activities from the revenues obtained from interest on the principal invested and a reduction in that principal to meet any shortfall.

## IMPLEMENTATION ISSUES

25. There are not expected to be any implementation issues associated with progress of the governance review. WCHL Board Directors RW Jewell and HV O'Rourke have been apprised of the Council's intentions and they have both submitted their resignations from the Board of WCHL effective from 30 June 2009.

**Report prepared by:** Jaine Lovell-Gadd, Director: Corporate and Business Services



## 12 COMMUNITY ASSISTANCE FUND SUBCOMMITTEE - APPOINTMENT TO SUBCOMMITTEE

### GLOSSARY

Finance and Operational Performance Committee (FOP)  
Community Assistance Fund Subcommittee (CAFSC)

### EXECUTIVE SUMMARY

The purpose of this report is to seek the Finance and Operational Performance Committee's (FOP) approval for a Member of FOP to be appointed as Chairman to the Community Assistance Fund Subcommittee (CAFSC).

### RECOMMENDATIONS

It is recommended that the Finance and Operational Performance Committee resolve to:

1. **Receive** the Community Assistance Fund - Appointment To Subcommittee report.
2. **Agree** that one Member of the Finance and Operational Committee be appointed to be Chairman of the Community Assistance Fund Subcommittee.

3. **Agree** that one Member of the Finance and Operational Committee be appointed as an alternate if the appointed representative is unavailable and in that case the alternate Member shall Chair the Community Assistance Fund Subcommittee.

### BACKGROUND

1. On 7 April 2008, a report went to FOP asking for the Community Sports Fund Allocation Subcommittee be disbanded and for the CAFSC to be established.

### DECISION MAKING

2. Council administers a range of funds and it is important all funding allocation decisions are open and transparent.

### STRATEGIC CONTEXT

3. The Local Government Act 2002 states that as part of the preparation of the Long Term Council Community Plan a set of community outcomes be identified for the City. Council's Community Outcomes are taken into account in the formulation of criteria for which to assess grant applications against.
4. A number of Council's Community Outcomes and Council's Strategic Platforms and Priorities have a strong connection to social wellbeing. The Community Outcomes and Strategic Platform priorities are the key areas against which applications to the CWF would be assessed. The key Community Outcomes include; Strong Communities, Toiora, Urban and Rural Villages and Working Together. The Council Platforms are Strong Communities and Urban and Rural Villages.

### CONSULTATION

5. Consultation has been undertaken with the Democracy and Support Services section who support this action.

### RESOURCES

6. The creation of the CAFSC will require that meeting allowance fees and travel expenses to be paid to community and Committee Members (Te Taumata Runanga, Waitakere Ethnic Board, Waitakere Pacific Board and community representative) and are provided for within the Democracy and Support Services budget for 2009/2010.

### IMPLEMENTATION ISSUES

7. There are no implementation issues arising from this report

**Report prepared by:** Kim Hammond, Community Grants Officer.



**PART E - REPORTS FROM THE SUBCOMMITTEE**

**13 TENDERS SUBCOMMITTEE**

**THE SUBCOMMITTEE SUBMITS THE FOLLOWING REPORTS OF ITS MEETING HELD ON FRIDAY, 1 MAY 2009 AND FRIDAY, 15 MAY 2009, AND RECONVENED ON FRIDAY, 22 MAY 2009**

**MATTERS CONSIDERED**

A104-A111

The Subcommittee dealt with a number of items for which it has delegated powers to act and a copy of the minutes of the meetings are attached at pages A104 to A111.

**It is recommended that the Finance and Operational Performance Committee resolve to:**

**Receive** the meeting reports of the Tenders Subcommittee held on Friday, 1 May 2009 and Friday, 15 May 2009, and reconvened on Friday, 22 May 2009.

RI Clow  
**CHAIRMAN**



**PART F - PUBLIC EXCLUDED MATTER**

**14 RECOMMENDATION FROM COUNCIL**

**NEW LYNN INFRASTRUCTURE FUNDING WITHIN THE PLAN CHANGE 17 AREA**

The recommendation will be considered in the Confidential Supplement of the agenda, and has been circulated to members separately with this agenda.

**PROCEDURAL MOTION TO EXCLUDE THE PUBLIC**

That the public be excluded from the following part of the proceedings of this meeting, Recommendation from Council - New Lynn Infrastructure Funding Within The Plan Change 17 Area.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation of the matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of the matter to be considered.	Reason for passing this resolution in relation to each of the matter.	Ground(s) under Section 48(1)(a) for the passing of this resolution.
<ul style="list-style-type: none"> <li>Recommendation from Council - New Lynn Infrastructure Funding Within The Plan Change 17 Area</li> </ul>	The withholding of information is necessary in order to: <ul style="list-style-type: none"> <li>enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</li> </ul>	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 7(2)(i) of that Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public as follows:

- *The recommendation contains information which if released could affect Council's negotiations.*

